

NEWS RELEASE

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MRTU Scope, Schedule and Budget Changes Accommodate Stakeholder, FERC Market Elements

(Folsom, CA) The California Independent System Operator Corporation (California ISO) Board of Governors today agreed to extend the implementation date of the Market Redesign and Technology Upgrade (MRTU) program from November 2007 to January 31, 2008.

The California ISO has received direction on MRTU from the Federal Energy Regulatory Commission (FERC) in a September 21, 2006 order that reflects stakeholder comments received by FERC. The order calls for 43 modifications to the MRTU market design. That, combined with stakeholder and California ISO-generated scope changes, drives the need for the schedule extension.

“We have said all along that it is more important to get it done right than to get it done fast,” said California ISO President and CEO Yakout Mansour. “Market participants and FERC have called for additional functionality and flexibility in the market design. ISO management and staff, and our Board of Governors recognize that requires adding a few months to the MRTU implementation schedule. The extra time also allows us to ensure that everyone who will use the new market is ready to do so.”

ISO management and staff have also evaluated the impact to the MRTU budget. Today the Board of Governors authorized adding \$19 million to the \$170 million MRTU budget. The funding will be raised through bond sales next year. The increase in the MRTU budget is not anticipated to significantly impact the Grid Management Charge—the toll for using the wholesale power grid.

MRTU is a significant overhaul of the ISO spot market for power that will fix flaws in the original market design, enhance power grid reliability and make the market more compatible with current energy policy in California. The new market design adds an Integrated Forward Market and a

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MRTU Scope 2-2-2-2

Full Network Model that together will allow the California ISO to manage bottlenecks on the power grid earlier and more efficiently. Another element, Locational Marginal Pricing, will reduce the cost of managing bottlenecks by providing transparent prices at specific locations.

The California ISO submitted an extensive filing on MRTU to FERC on February 9, 2006. On September 21, 2006 FERC accepted the ISO proposed market design with certain conditions.

Accommodating those conditions is one thing that lead the ISO to push back the implementation date. However, the new date also provides several additional benefits, including:

- 1) A comprehensive proposal for long-term transmission rights.
- 2) A fifth round of market simulations.
- 3) Additional time for stakeholder and ISO readiness activities.
- 4) Better timeframe for Market Participants to manage Sarbanes-Oxley accounting requirements.

The changes represented by MRTU are necessary and important, but they will have little immediate effect on the average electricity consumer because they affect only the wholesale electricity markets operated by the ISO. However, the savings from the reduced cost of managing congestion could be passed on to end-use energy customers and all Californians benefit from the new grid reliability tools MRTU brings.

The California ISO is a not-for-profit public benefit corporation charged with managing the flow of electricity along California's open-market wholesale power grid. The mission of the California ISO is to safeguard the reliable delivery of electricity and ensure equal access to 25,000 circuit miles of "electron highway." As the impartial operator of the wholesale power grid in the state, the California ISO conducts a small portion of the bulk power markets. These markets are used to allocate space on the transmission lines, maintain operating reserves and match supply with demand in real time.

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